

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6895

BILL NUMBER: SB 463

DATE PREPARED: Jan 6, 2002

BILL AMENDED:

SUBJECT: Sustainable Energy.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Sustainable Energy Corporation to: (1) ensure that all Indiana electric and gas ratepayers are given the opportunity to participate in and benefit from a comprehensive set of sustainable energy programs and initiatives designed to overcome barriers to implementation; and (2) promote and implement sustainable energy technologies and measures in Indiana. The bill establishes the Sustainable Energy Fund to make loans and award grants to implement sustainable energy programs. It requires an electric distribution company and a gas distribution company to impose a monthly surcharge on their retail customers for deposit in the fund beginning September 1, 2002. The bill allows an electric distribution company and a gas distribution company to file a rate case with the Indiana Utility Regulatory Commission (IURC) to recover lost revenue due to sustainable energy programs initiated by the corporation.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill names a board of directors to establish and oversee the Sustainable Energy Corporation, a private nonprofit corporation dedicated to promoting and implementing sustainable energy programs in Indiana. The Board will consist of the Lieutenant Governor, the Chair of the IURC, the Utility Consumer Counselor, and 13 Governor appointees representing academia, the energy industry, business and residential energy consumers, the environment, and labor. The Board is required to meet at least quarterly. Board members would not be entitled to a per diem, but would be reimbursed for travel costs.

Sustainable Energy Corporation: The Corporation is charged with providing a variety of initiatives and programs to assist with the promotion of energy efficiency and the use of energy from sustainable sources. The activities of the Sustainable Energy Corporation will have a limited direct impact on state expenditures. All expenditures or grants issued by the Sustainable Energy Corporation would be financed from a surcharge on retail users of electricity and natural gas (see *Sustainable Energy Fund*, below).

State agencies that purchase natural gas and electricity would be subject to the fees imposed in this bill.

IURC: Allowing electric and natural gas utilities to file rate cases to recover revenue lost due to the provisions in this bill will require the IURC to conduct additional hearings and increase its administrative and investigatory burden. The Office of the Utility Consumer Counselor (OUCC) would also be involved in any additional hearings. The bill also requires the IURC to direct natural gas and electric utilities to impose a monthly per unit surcharge on their retail consumers, payable to the Sustainable Energy Fund, beginning September 1, 2002. While the bill could increase the IURC and OUCC administrative costs, the impact is not expected to be greater than the resources currently available.

Background on IURC and OUCC Funding: The operating budgets of the IURC and OUCC are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2001, fees from the utilities and fines generated approximately \$8.6 M.

State Board of Accounts: The bill requires the State Board of Accounts (SBOA) to audit the Sustainable Energy Corporation on an annual basis, however, the Corporation would pay the full cost of the audit.

Explanation of State Revenues: *Sustainable Energy Fund:* The bill establishes the Sustainable Energy Fund to fund the Corporation's activities. While the bill does not specify what surcharge the IURC must impose, the fee is capped at \$0.0003 per kilowatt for electric consumers and \$0.30 per decatherm for natural gas consumers. Based on data from the U.S. Department of Energy, Energy Information Agency, it is estimated that if the maximum rates were charged, the fund would receive approximately \$91.5 M in CY 2003 and \$92.5 M in CY 2004.

Secondary Impacts: The establishment of the Sustainable Energy Corporation could have several secondary impacts on state revenues.

Potential Sources of Increases in State Revenue: If the Corporation is able to generate new investment by energy firms in Indiana, it could increase the revenue the state receives from the various corporate taxes. Likewise, if more jobs are created, revenue from the state's Income and Sales Tax would also increase.

Potential Sources of Decreases in State Revenue: The state generally imposes a Sales Tax on the sale of electricity and natural gas. If the programs and fees initiated by the Sustainable Energy Corporation encourage consumers to reduce their consumption of energy, state Sales Tax revenue would decrease. Additionally, if the bill's provisions result in a reduction in a taxpaying utility's sales, and the firm is not able to raise rates through the mechanisms provided in the bill, the state's corporate taxes could be negatively impacted.

Revenue from corporate taxes is deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (59.03%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Fund (0.04%).

Explanation of Local Expenditures: Local governmental entities, including schools, would be subject to

the surcharges imposed by the bill.

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission; Office of the Utility Consumer Counselor; State Board of Accounts; Legislative Council; Governor; Lieutenant Governor; Department of Administration.

Local Agencies Affected: Local governmental entities.

Information Sources: Indiana Utility Regulatory Commission, *2000-2001 Annual Report*; U.S. Department of Energy, Energy Information Agency, *State Energy Data Report*.